

**Water Supply Reserve Account – Grant and Loan Program
Water Activity Summary Sheet
May 2014 Agenda Item 31a**

Applicant: Colorado Rio Grande Restoration Foundation

Water Activity Name: Plaza Project Phase 3: Prairie Ditch Implementation Project

Water Activity Purpose: Structural Water Project

County: Rio Grande

Drainage Basin: Rio Grande

Water Source: Rio Grande

Amount Requested: \$21,500 Rio Grande Basin Account, \$408,500 Statewide Account)

Matching Funds: \$130,000 from Prairie Ditch Company; \$315,000 from Cooperative Conservation Partnership Initiative Program; \$90,000 from NRCS, \$10,000 from Rio Grande Headwater Restoration Project.

Staff Recommendation
Staff recommends approval of up to \$21,500 from the Rio Grande Basin Account and \$408,500 from the Statewide Account to help complete the Plaza Project Phase 3: Prairie Ditch Implementation Project.

Water Activity Summary:

The Plaza Project is a multi-phased project intended to improve the health and function of the Rio Grande River in the Sevenmile Plaza area through stream bank restoration, wetland restoration, and the replacement of aging and inefficient diversion and headgate structures. The “Plaza Stakeholders” a diverse group of 30 individuals, analyzed the costs and benefits of each alternative to select the desired alternative for each project element. This collaborative approach ensures future implementation aligns with the multiple objectives of stakeholders and interests of landowners in Sevenmile Plaza, one of Colorado’s oldest communities. Phase 1 was a planning phase and identified several diversion and headgate structures in need of replacement, and was funded by a \$40,000 grant from the Rio Grande WSRA Account. Phase 2 (McDonald Ditch Implementation Project) was the Plaza Project’s first implementation project and was funded in part with a \$42,000 grant from the Rio Grande WSRA Account, a \$684,000 grant from the Statewide WSRA Account and a \$100,000 CWCB loan to the McDonald Ditch Company. Construction of this Phase is set to begin in 2014 and will be completed in 2015. with a CWCB Loan and WSRA grant. Phase 3 is the subject of this loan request and includes the final engineering design and construction of the new Prairie Ditch diversion and headgate as well as stream bank stabilization, monitoring, outreach and education. The Company is responsible for a portion of the funds that will cover only the Prairie diversion and headgate replacement (Tasks 2 and 3 of the Phase 3 Plaza Project).

The Plaza Project – Phase 3: Prairie Ditch Implementation Project (Phase 3) is the third phase of the Plaza Project and will seek to continue the rehabilitation of the Rio Grande’s Sevenmile Plaza. The objectives of Phase 3 are to: (1) Improve diversion efficiency and reduce maintenance by replacing the aging Prairie Ditch headgate, installing automated water gates, and replacing the Prairie Ditch diversion dam; (2) Enhance water quality by reducing erosion and sediment input; (3) Improve riparian condition by stabilizing up to 1,000 feet of streambanks in the project area; (4) Increase the capacity of the Rio Grande to transport sediment; (5) Improve aquatic and wildlife habitat; (6) Encourage local recreation by including fish and boat passage in the new diversion dam; and (7) Promote public involvement in water improvement activities through public outreach and education.

Preliminary designs for Phase 3 have been developed by the NRCS. Final design will be performed in Phase 3 for each of the project elements. Phase 3 will be a three-year project with execution of designs in years 1 and 2, and monitoring in years 2 and 3. Phase 3 integrates the rehabilitation of the Prairie Ditch diversion with the multiple

objectives of the 2001 Study, with the anticipated rehabilitation of the neighboring McDonald, Silva, and Atencio diversions, and with the stabilization of the surrounding riparian areas.

Funding Overview

The Foundation is requesting a total of \$21,500 (5% of total grant request) from Rio Grande Basin WSRA funds and \$408,500 from Statewide WSRA funds, or 44% of the total project cost of \$975,000. Matching funds are as follows: \$315,000 (32%) from the Cooperative Conservation Partnership Initiative (CCPI) Program; \$130,000 (14%) from Landowners; and \$100,000 (10%) from in-kind services.

Threshold and Evaluation Criteria

The application meets all four Threshold Criteria.

Funding/Match Summary:

<u>Funding Source</u>	<u>In-Kind</u>	<u>Cash</u>	<u>Total</u>
Prairie Ditch Company	\$0	\$130,000	\$130,000
Cooperative Cons. Partnership Initiative Program	\$0	\$315,000	\$315,000
NRCS	\$90,000	\$0	\$90,000
Rio Grande Headwaters Restoration Project	\$10,000	\$0	\$10,000
WSRA Rio Grande Basin Account	\$0	\$21,500	\$21,500
WSRA Statewide Account	\$0	\$408,500	\$408,500
Total	\$100,000	\$875,000	\$975,000

The application articulates how the project meets the Evaluation Criteria as summarized below:

Tier 1: Promoting Collaboration/Cooperation & Meeting Water Management Goals & Identified Needs: More than 30 Plaza Stakeholders jointly developed The Plaza Plan and selected the most favorable alternatives to be implemented in the Sevenmile Plaza reach of the Rio Grande. Stakeholders met in five formal working sessions, participated in numerous tours and site visits, gathered data, and determined the best design developed by the NRCS for the Prairie Ditch headgate and diversion replacement, and streambank stabilization. San Luis Valley nonprofits and organizations, special districts, Rio Grande County, State and Federal agencies, and area landowners, farmers, and ranchers were represented in the Plaza Stakeholders.

Replacing the Prairie Ditch diversion and headgate will improve irrigator's ability to access their water when in priority while reducing maintenance. Non-consumptive benefits include improved streambank stability, water quality, and riparian and aquatic habitat; improved recreation potential with boat passage; and enhanced cold water fishery from improved riparian vegetation cover, reduced turbidity, and fish passage.

Phase 3 is the second of many anticipated projects that will improve the water diversion and management efficiency on the Rio Grande. As the Rio Grande deals with prolonged drought, the need to allocate water between Basin uses and Rio Grande compact obligations, and the development of Groundwater Management Subdistricts, the need for improved water management becomes crucial. As Phase 3 and similar Projects are completed, water managers will have the ability to better balance water use, a priority identified in the Rio Grande Basin Needs Assessment Report.

Tier 2: Facilitating Water Activity Implementation: 56% of the Total Project Cost have been raised by the project partners. The RGHRP and NRCS secured \$315,000 from the federal Cooperation Conservation Partnership Initiative (CCPI) and \$100,000 of in-kind contributions. Landowners have pledged \$130,000 through a loan from CWCB (pending March 2014 CWCB Board meeting). The remaining \$430,000 requested from WSRA is essential non-federal match to the CCPI grant. Without the WSRA funds, the Project partners would not likely be able to raise sufficient dollars out of pocket or from other grant sources in time to retain the grants currently secured. As such, WSRA funds are critical to complete the Project.

Tier 3: The Water Activity Addresses Issues of Statewide Value and Maximizes Benefits: Phase 3 is a structural project that will improve the ability of the Rio Grande to meet both consumptive and non-consumptive needs

of the area by replacing a poorly functioning diversion and headgate, stabilizing stream banks, and increasing the ability of the river to transport water. As such, Phase 3 allows for agriculture demands to be met by increasing the ability of irrigators to divert their appropriated water right when they are in priority. Additionally, Phase 2 sustains multiple non-consumptive uses by improving riparian conditions, repairing river channel problems, reducing sediment load, and improving opportunity for recreation. Phase 3 will assist in administration of the Rio Grande Compact as it includes installation of automated measuring gates in the headgate and a new gauging station in the canal. The Project Area is located in the management area for the San Luis Valley Regional Habitat Conservation Plan (HCP) for the Southwestern Willow Flycatcher and the Yellow-bill Cuckoo. In accordance with the HCP, the riparian restoration activities will improve streambank habitat for these endangered species and help with recovery efforts. Finally, Phase 3 supports the preservation of the long-term cultural values inherent in this rural area's historical and current agricultural lifestyle. It complies with all applicable laws, regulations, and water rights.

Discussion:

As identified in the SWSI findings, small agricultural water users often lack the financial ability to adequately address infrastructure needs without financial aid. The multiple entities involved in Phase 3 need additional financial resources to make the required improvements to fully utilize its existing water rights. As such, this collaborative group has worked to carefully leverage local, state, and federal funds to execute this project. In addition, the SWSI Management Objectives, of the SWSI Phase II Report: Addressing the Water Supply Gap Technical Roundtable, include to "sustainably meet agricultural demands." That management objective is directly met through this activity. The proposed project effectively meets the objectives of HB 1177 and consumptive and non-consumptive needs of the Rio Grande Basin by rehabilitating existing infrastructure to preserve agricultural water use while restoring critical habitat and reducing sediment load.

Issues/Additional Needs:

No issues or additional needs remain.

Staff Recommendation:

Staff recommends approval of up to \$21,500 from the Rio Grande Basin Account and \$408,500 from the Statewide Account to help complete the Plaza Project – Phase 3: Prairie Ditch Implementation Project.

All products, data and information developed as a result of this grant must be provided to the CWCB in hard copy and electronic format as part of the project documentation. This information will in turn be made widely available to Basin Roundtables and the general public and will help promote the development of a common technical platform. In accordance with the revised WSRA Criteria and Guidelines, staff would like to highlight additional reporting and final deliverable requirements. The specific requirements are provided below.

Reporting: The applicant shall provide the CWCB a progress report every 6 months, beginning from the date of the executed contract. The progress report shall describe the completion or partial completion of the tasks identified in the scope of work including a description of any major issues that have occurred and any corrective action taken to address these issues.

Final Deliverable: At completion of the project, the applicant shall provide the CWCB a final report that summarizes the project and documents how the project was completed. This report may contain photographs, summaries of meetings and engineering reports/designs.

Engineering: All engineering work (as defined in the Engineers Practice Act (§12-25-102(10) C.R.S.)) performed under this grant shall be performed by or under the responsible charge of professional engineer licensed by the State of Colorado to practice Engineering.